



ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

U.S. Department of Housing and Urban Development

Office of Housing

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**Transmittal** for Handbook No.: **4232.1**

**Special Attention of:**

Director, Office of Residential Care Facilities, HI  
Director, Asset Management and Lender Relations, HI  
Director Development, HI  
Director, Policy and Risk Analysis, HI  
Participating Mortgagees

**Issued:** October 17, 2014

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**1. This Transmits:**

Handbook 4232.1, Healthcare Mortgage Insurance Program

**2. Explanation of Material Transmitted:**

Scrivener and other minor errors in the Handbook have been identified and corrected.

**3. Effective date:** September 1, 2014

**4. Scrivener and Other Minor Corrections:**

Handbook Section	Handbook Chapter #	Handbook Chapter Title	Handbook Correction
<b><i>Section I - Introduction</i></b>			
Table of Contents	Table of Contents	Table of Contents	Changed Production 11.2 title - "Closing Coordinator" to "Closer"
Table of Contents	Table of Contents	Table of Contents	Deleted "Property" from Appendix title.
Introduction	1.6.C.3.c	Introduction	Corrected "an Borrower" to "a Borrower"
Introduction	1.6.B	Introduction	Corrected all references of "Borrower" to "Owner"
Introduction	1.6.C.1.e	Introduction	Added reference to Production Chapter 10
Introduction	1.6.C.1.f	Introduction	Added reference to Production Chapter 10
Introduction	1.6.C.6	Introduction	BOLDED text heading "Providing legal, consulting or management services"
Introduction	2.5.A	Lender Relations	Moved the clause "contract employees of a Lender" immediately before the clause "working on a particular application"

<b>Handbook Section</b>	<b>Handbook Chapter #</b>	<b>Handbook Chapter Title</b>	<b>Handbook Correction</b>
<b><i>Section II - Production</i></b>			
Production	2.5.C.1	Eligible Section 232 Mortgage Insurance Programs	Corrected "projecta ssets" to "project assets"
Production	2.5.C.2	Eligible Section 232 Mortgage Insurance Programs	Removed the word "either" and changed the word "or" to the word "and." Removed the language "the entity establishes to HUD's satisfaction."
Production	2.5.E	Eligible Section 232 Mortgage Insurance Programs	Removed the last two sentences: "HUD will need to conduct a preliminary review of any proposed special use facilities. If such a project were found eligible for further consideration, it would be underwritten extremely conservatively."
Production	2.8	Eligible Section 232 Mortgage Insurance Programs	Added language: "Borrowers proposing to include a land purchase with a Section 241(a) Supplemental Loan may be able to do so as long as the addition or improvements are funded with the proceeds of the supplemental loan, and the construction is commenced within a reasonable time from closing; however the 241(a) supplemental loan on an existing 232 project may not exceed the maximum mortgage amount prescribed under Section 232 of the National Housing Act."
Production	2.10.L.2	Eligible Section 232 Mortgage Insurance Programs	Corrected "120%" to "110%" of the non-critical repair costs is established at closing.
Production	2.10.Q	Eligible Section 232 Mortgage Insurance Programs	Added the words "existing FHA-insured debt."
Production	2.12.G	Eligible Section 232 Mortgage Insurance Programs	Changed language to clarify that Davis-Bacon wages DO NOT apply to fire safety installations.
Production	3.2	Loan Sizing	Deleted 223(d) from exception list.

<b>Handbook Section</b>	<b>Handbook Chapter #</b>	<b>Handbook Chapter Title</b>	<b>Handbook Correction</b>
Production	3.3.A.1	Loan Sizing	Added reference to Production, Section 2.10.Q.
Production	3.10.B.2	Loan Sizing	Corrected 1.11 to 1.45.
Production	3.10.C	Loan Sizing	Added language "and, if loan is pursuant to Section 223(d)(3), 80 percent of unreimbursed cash contributions (see Production Chapter 2, Section 2.11.B)."
Production	3.13/3.13.A	Loan Sizing	Moved sentence describing Appendix 3.1 BELOW the definition of Eligible Debt.
Production	3.13.A	Loan Sizing	Corrected the word "with" in the first sentence "...directly connected with the project" to the word "to"
Production	3.13.B.3	Loan Sizing	Corrected the word "with" in the first sentence "...directly connected with the project" to the word "to"
Production	3.14.B.2	Loan Sizing	Formatted second sub-section by adding "b." Corrected subsection 3.14.B.6 to 3.14.B.3
Production	4.1 Appendix	Labor Relations Protocols	Updated Office of Labor Relations website link.
Production	10.1 Appendix	Construction Period	Deleted OMB Form Numbers in Appendix 10.1
Production	10.1 Appendix	Construction Period	Corrected words "Two paper copies" of the Early Commencement documents to "One paper copy."
Production	11.10.E	Cost Certification	Included "short form cost certifications for new construction, substantial rehabilitation, supplemental loans, blended rate loan" to the list for Lender Certification (Form HUD-91129-ORCF).
Production	11.12	Cost Certification	Corrected header title "Closing Coordinator" to "Closer"
Production	11.13.L	Cost Certification	Replaced language referencing the instructions from LNCCS with language from Production Chapter 2.5.Y.
Production	14.1 B 4	Insurance	Deleted line 4 "Name the Department of Housing and Urban Development (HUD) as an additional insured, except for professional liability insurance policies;" Re-numbered line 5 to new line 4.
Production	14.1.D	Insurance	Inserted language for alternative premium payments.

<b>Handbook Section</b>	<b>Handbook Chapter #</b>	<b>Handbook Chapter Title</b>	<b>Handbook Correction</b>
Production	14.5 A&C	Insurance	Inserted language "as defined by the Insurable Value Calculation contained in the 3rd party Project Capital Needs Assessment" after "90% of Estimated Replacement Cost Value"
Production	14.1 Appendix	Insurance	Deleted Property Insurance from Appendix title.
<b><i>Section III- Asset Management</i></b>			
Asset Management	3.2.2.I.3.e	Servicing	Corrected Chapter 9 to Chapter 7
Asset Management	3.2.3.F.2.c	Servicing	Corrected Chapter 9 to Chapter 7
Asset Management	3.2.4.C.	Servicing	Inserted language "...accompanied by a recommendation of approval to be included in the email or fax submission:"
Asset Management	3.2.4.D.	Servicing	Inserted language "...along with a written statement of review of all documents, and recommendation for approval..." Removed reference to Appendix 4.
Asset Management	3.2.4.E.1	Servicing	Inserted language "via email."
Asset Management	3.2.6.a	Servicing	Deleted the word "a rider to" the Borrower Regulatory Agreement.
Asset Management	3.3.2.C.2/3	Servicing	Deleted line space
Asset Management	3.4.2.B.7	Servicing	Deleted line 7. Re-numbered line 8 to new line 7.
Asset Management	3.4.4.A	Servicing	Corrected reference from 3.6.B to 2.6.B
Asset Management	3.4.4.C.7	Servicing	Corrected Chapter 9 to Chapter 7
Asset Management	3.8.2.	Servicing	Inserted language: The documents must also be submitted to the Lender for review and "recommendation for" approval, "prior to HUD submission."
Asset Management	4.5.B.3	Financial Operations	Deleted line 3. Re-numbered line 4 to new line 3.
Asset Management	5.2	Section 232 Risk Mitigation Branch and Asset Management Tools	Corrected word Interest Rate "Change" to "Reduction"

<b>Handbook Section</b>	<b>Handbook Chapter #</b>	<b>Handbook Chapter Title</b>	<b>Handbook Correction</b>
Asset Management	5.2.B	Section 232 Risk Mitigation Branch and Asset Management Tools	Moved and revised sentence to beginning of the paragraph: "The following costs cannot be paid from trade premium: borrower counsel, organizational costs and third party reports costs (e.g. PCNA)." Corrected word "counsel" to "Counsel." Changed word "must" to "may" be used to defray...Added language" "Note: On Loan Modifications,"
Asset Management	5.3.E	Section 232 Risk Mitigation Branch and Asset Management Tools	Corrected 1.11 to 1.45. Inserted language: "The operating loss loan is limited to both 100% of the operating loss and the amount supported by the debt service limitation." Removed the language: "Ordinarily, either 100% of operating loss or the amount supported by debt service ratio limitation will be used to calculate the maximum insurable OLL amount." Added clarifying language: "Additionally, for operating loss loans pursuant to Section 223(d)(3), a further limitation on the loan amount is imposed, namely 80% of the unreimbursed cash contributions."